

STAFF REPORT

TO: Mayor and Councillors
FROM: Murray Staite
DATE: 30 May 2009
SUBJECT: **Uniform Annual General Charge**

Purpose

As a result of submissions received during the consultation process on the Draft Ten Year Plan 2009/2019 Councillors have asked staff to re-present a previous report on the Uniform Annual General Charge (UAGC) for further consideration

Background

Council has been charging a UAGC for many years and a few years ago Council resolved to increase the UAGC by \$20 per year until the end of the 2008/2009 rating year. The UAGC for the 2008/2009 year now stands at \$220.00 and remains the same over the 10 years of the Ten Year Plan.

Discussion

Property values alone are not always appropriate as a basis for rating. Uniform annual charges are not related to valuation, and are fixed amounts for every property to which they apply. They are a recognition of the fact that not all local authority services are related to property and that valuations are not necessarily a fair reflection of ability to pay. UAGCs are also used to temper the high and low peaks in rates bills. Councils can choose to collect a portion of their general rate income by a uniform annual charge.

The maximum proportion of the rate to be collected by way of UAGC is restricted by law to no more than 30% of the total rates revenue to be collected. The maximum Council can charge via a UAGC varies year by year but would be approximately \$320.00 per property per year. Council also needs to be aware that due to the 30% constraint the inclusion of additional uniform rates over future years will reduce the level of the UAGC allowed.

It is also important to remember that increasing the UAGC does not increase Council revenue but is just another way of apportioning the charge.

Pros and Cons of UAGCs

Pros

UAGCs are a moderator. They reduce the general rate paid by high valued properties whilst increasing the general rate paid by low valued properties.

UAGCs reduce the volatility in rates due to district valuations as less reliance is placed on property valuations in setting rates.

UAGCs are a more equitable way of providing, for example, the funding of parks and reserves, libraries and community halls, whose usage tends to be more related to each family group rather than the absolute value of the property.

Cons

UAGCs are a flat charge rather than a progressive tax and increase the burden on lower valued properties (which is why the maximum of 30% is in the legislation).

Options

Option 1

Maintain the status quo and leave the UAGC at \$220 per property. This option would however under-utilise the rating moderation effect of a UAGC and would over time steadily increase the burden on higher value properties while ignoring the fact that not all services are related to property values.

Option 2

Continue the ongoing practise of the last few years by increasing the UAGC by \$20.00 per annum. The effect of this option on Year 1 of the LTCCP is noted on the table below

Note: Rate dollars are based on 2008/2009 rates but incorporating the latest valuations

Sample Property	CV	Total general rate (UAGC \$220)	Total General rate (UAGC \$240)	\$ change
Takaka Residential	\$270,000	815.89	826.00	\$11.00 up
Residential Richmond	\$455,000	1,224.00	1,227.00	\$3.00 up
Waimea Village	\$185,000	628.00	641.00	\$13.00 up
Kaiteriteri residential	\$720,000	1,809.00	1803.00	\$6.00 down
Horticulture Hope	\$2,375,000	5,461.00	5,396.00	\$65.00 down
Pastoral Farm-Tutaki	\$3,125,000	7,116.88	7024.00	\$92.00 down

This option is an extension of the current practice of steady increases without inducing large rating shocks on property owners and, as noted above, provides some degree of rate moderation.

Option 3

Increase the UAGC to the maximum allowed in the legislation of \$320.00

The effects of this change are noted below. While this option provides the greatest moderation of rates it does create significant rate changes particularly to lower priced properties.

Sample Property	CV	Total general rate (UAGC \$220)	Total General rate (UAGC \$320)	\$ change
Waimea Village	\$185,000	628.00	694.00	\$66.00 up
Residential Richmond	\$455,000	1,224.00	1,241.00	\$17.00 up
Takaka Residential	\$270,000	815.89	866.75	\$50.86 up
Kaiteriteri residential	\$720,000	1,809.00	1,778.00	\$31.00 down
Horticulture Hope	\$2,375,000	5,461.00	5,129.00	\$332.00 down
Pastoral Farm-Tutaki	\$3,125,000	7,116.88	6,648.13	\$468.75 down

Note: Rate dollars are based on 2008/2009 rates but incorporating the latest valuations

Affected Persons

UAGCs affect the proportion of rates levied per property so all ratepayers are affected.

Recommendation

That the UAGC for the 2009/2010 Funding Impact Statement be increased by \$20.00 to \$240.00 per rateable property.

That the UAGC be increased on an annual basis by \$20 per rateable property until the maximum is reached.

Murray Staite
Corporate Services Manager